



Nacimiento Project Commission Notice of Meeting and Agenda

Thursday, December 14, 2006 – 4:00 pm
Templeton Community Services District Board Room
420 Crocker Street, Templeton CA

- I. Call to Order, Roll Call, and Flag Salute
- II. Public Comment
This is the opportunity for members of the public to address the Commission on items that are not on the agenda, subject to a three minute time limit.
- III. Meeting Notes from August 24, 2006
(RECOMMEND APPROVAL)
- IV. COMMISSION INFORMATION ITEMS – written reports with brief verbal overview by staff or consultant. No action is required.
 - a. Project Management Report
 - b. Project Schedule
 - c. Project Budget
- V. PRESENTATIONS – no action required.
 - a. Total Project Cost Update – 90% Progress Point
 - b. Project Insurance Options
- VI. COMMISSION ACTION ITEMS
(No Subsequent Board of Supervisors Action Required)
 - a. (none)
- VII. COMMISSION ACTION ITEMS
(Board of Supervisors Action is Subsequently Required)
 - a. Hearing of Necessity
- VIII. FUTURE AGENDA ITEMS DESIRED BY COMMISSION

Commissioners

Harry Ovitt, Chair, SLO County
Flood Control & Water
Conservation District

Dave Romero, Vice Chair, City of
San Luis Obispo

David Brooks, Templeton CSD

Grigger Jones, Atascadero MWC

Frank Mecham, City of El Paso
de Robles

*Plan on sharing some Holiday hors
d'oeuvres at our December
Commission meeting, compliments
of your TSG and Project team.
Merry Christmas!*

**Next Commission meeting scheduled for
Thursday, February 15, 2007, at 4:00 pm at
Templeton Community Services District offices.**

Nacimiento Project Commission
December 14, 2006
Agenda Item III – Meeting Notes from October 26, 2006

I. Call To Order, Roll Call and Flag Salute

Chairman Ovitt convened the meeting at 4:00 pm.

Commissioners Present: Chairman Harry Ovitt, SLO County Flood Control & Water Conservation District
Dave Romero, City of San Luis Obispo
Frank Mecham, City of el Paso de Robles
David Brooks, Templeton CSD
Grigger Jones, Atascadero MWC

II. Public Comment – (none)

III. Meeting Notes from August 24, 2006 Meeting

Commissioner Mecham moved approval of the August 24, 2006, meeting notes; Commissioner Jones seconded the motion; motion passed unanimously.

IV. Commission Information Items

John Hollenbeck delivered the project management report. Jacobs is to present a report on a possible Owner-Controlled Insurance Program in December. Legal descriptions for easements now total 34 of the estimated 54 total and staff is tracking cumulative appraised values relative to the approved line item budget, suitable for reporting in closed session as appropriate. The District plans to retain Price, Postel & Parma of Santa Barbara for easement acquisition legal support. SB1210 goes into law as of January 1, 2007, with longer noticing requirements to property owners. With a hearing of necessity in January of next year, the earliest we may obtain orders of possession may be June or July 2007. This would coincide with possession prior to construction contract *award*, but not in time for bid *advertisement*. Chairman Ovitt asked if Proposition 90 (Government Acquisition, Regulation of Private Property Initiative) might affect the Project. The likelihood of an early legal challenge is high, delaying its effective date until after our own acquisition period has passed. Noel King suggested a legal opinion from Price, Postel & Parma in the event that Proposition 90 passes.

Mr. Hollenbeck reported on the outcome of the hydraulic model of the intake facility. The cost of the model ranged from \$85-100,000, revealing design improvements that will save millions of dollars over the life of the Project. He confirmed that Geotechnical Baseline Reports have been authorized for tunnels and underground work at the intake along with river crossings, providing a better basis for bidding and a better negotiating tool for proposed change orders.

Dialogue with Monterey County Water Resources Agency has been somewhat strained, with MCWRA staff resisting terms of the proposed amendment to the 1959 master water agreement regarding continued right to use the existing outlet works. Similarly, a proposed means of sharing operations and maintenance costs of the relocated log boom is under dispute. Noel King and John Hollenbeck seek a meeting with Chairman Ovitt to discuss the relationship. Commissioner Romero asked in the current lawsuit between the concessionaire and MCWRA involves the San Luis Obispo County Flood Control & Water Conservation District. Mr. Hollenbeck responded no, that the concessionaire expressed support for SLO District's Project. Mrs. Halley explained that SLO District's releases have little impact on lake levels in normal to above-normal conditions, but when the lake nears minimum pool in

a drought, SLO District may continue to release water and notably lower the lake even more. John Hollenbeck clarified that MCWRA is not “raising” the dam, rather they are enlarging the capacity of the spillway removing fill limitations imposed by the Division of Safety of Dams.

Mr. Hollenbeck will provide more detail to the Commission in December regarding the Construction Phase project budget, in particular a breakdown of the recommended contingency.

The Commission proceeded with action item discussion to accommodate one Commissioner’s need to leave early.

VII. Commission Action Items (Subsequent Board of Supervisors Action Required)

John Hollenbeck pointed out that Jacobs recommends holding a \$1 million construction management contingency given the size and duration of this construction project. While Mr. Hollenbeck agrees, executing a contract to include that contingency would exceed the approved line item budget. Since the 90% engineer’s estimate is within weeks of delivery along with Jacobs independent cost estimation, the Project Manager recommends awarding the construction management contract within the approved budget and considering a contract amendment at a later date. Chairman Ovitt asked if we could expect a fee reduction were an OCIP put in to place. Mr. Hollenbeck replied no, that OCIP coverage is not expected to reduce professional fees. Commissioner Mecham moved to recommend award of the construction management services contract to Jacobs in the amount of \$6,485,000 as recommended in the staff report; Commissioner Romero seconded the motion; passed unanimously.

John Hollenbeck advises prequalification of both the intake construction contractors and the horizontal directional drillers as a risk management strategy. There is a particular risk to the environment associated with HDD activities. With Commission approval, would seek Board approval for prequalification of these contractors. Commissioner Mecham moved to recommend prequalification of both the intake pump station construction contractors and specialty drilling contractors as recommended in the staff report; Commissioner Jones seconded the motion; passed unanimously.

VI. Commission Action Items

Project Manager Hollenbeck described a bid sequence whereby we would have bids in hand representing more than 30% of the estimated construction value, issue the engineer’s report of estimated total Project costs based in part on bids received, initiating the 30-day opt-out period, receive more bids such that we would have approximately 75% of the Project bid, then Participants acting on the opt-out. Commissioner Mecham suggested that bid results be distributed to staff and the Commission shortly after bid opening. Commissioner Jones suggested that AMWC could host a special meeting if needed to move the opt-out period along. Brad Hagemann suggested agendizing the opt-out action with councils and boards later in the opt-out period to allow time for more bids to come in. Commissioner Jones moved to approve the bid strategy as recommended in the staff report; Commissioner Mecham seconded the motion; passed unanimously.

In other action, John Hollenbeck outlined the proposed terms of a memorandum of understanding pertaining to coordinated fiber optic communications with the San Luis Obispo County Informational Technology Dept. Ben Farrington of County ITD was present to say that the terms listed look fine. Commissioner Mecham asked if Participants could tie into the system at a future date and Mr. Farrington confirmed that yes, that would be allowable. When asked by Commissioner Jones who would pay for future replacements, Mr. Farrington replied that the estimated useful life of the system is 40 years and that the County has successfully upgraded such lines in conjunction with other public agencies. John Hollenbeck pointed out that repair costs would be shared proportionally. Commissioner Mecham moved to approve the substantially complete terms of the proposed



memorandum of understanding pertaining to a coordinated fiber optic system as recommended in the staff report; Commissioner Jones seconded the motion; passed unanimously.

At this point, Commissioner Jones excused himself from the meeting

V. Presentations

The Project Manager summarized the risk factor staff report, drawing attention to factors that continue to pose a risk of delaying the Project. There was some discussion about the timing of our appraisal work on the MCWRA property relative to the active lawsuit with the concessionaire. It appears that we do not need a judgment to proceed with making an offer for the property and the Project Manager advises we proceed with the classic approach to appraising the value of the property as opposed to quit-claiming leasehold interests as a first step.

Steve Foellmi of Black & Veatch presented an update of the total estimated Project cost, noting that significant decisions have been made since the 50% progress submittal. For example, total planned storage declined from 7.5 to 2.0 million gallons, the Camp Roberts pump station moved resulting in less high-pressure pipe and a smaller pump station, plus the intake pump station configuration was simplified from a three-tunnel design to a single lake tap. The result is that the engineer's estimate has declined from the 50% to the 90% progress point. Mr. Foellmi's sense is that construction and materials costs are stabilizing and that this will be verified by current price quotes from pipeline suppliers.

At an estimated \$400,000 per month of delay, Black & Veatch remains committed to design completion in March 2007. Three contractor workshops are planned along with ads in Engineering News Record magazine and direct contact with 110 licensed contractors. In response to Commissioner Mecham's question about contractor incentives, John Hollenbeck said that contractor bonuses are being considered to balance any liquidated damages for late completion, agreeing that a reward program be adopted as opposed to a punitive system. Black & Veatch to return to the Commission's December meeting to provide another cost update.

In other discussion, John Hollenbeck explained that each motor at the intake pump station would be on a variable frequency drive allowing slow ramp-up of power load. The design team did consider off-peak operations but the payback was too long. Last, the CSA 10 exchange agreement was executed by the Board of Supervisors on October 24th, setting the stage for CSA 10 to execute a Nacimiento Delivery Entitlement Agreement.

IX. Future Agenda Items Desired by Commission - (none)

Chairman Ovitt adjourned the meeting at 5:20 pm.

Submitted by Christine Halley

Nacimiento Project Commission
December 14, 2006
Agenda Item IV.a – Project Management Report
(Information Only – No Action Required)

PROJECT RESOURCES

Construction Management

The Board of Supervisors acted on the Commission's recommendation and entered into a construction management agreement with Jacobs at their November 14, 2006, meeting. Jacobs is underway and will make their first presentation to the Commission today (Agenda Item V.b).

Environmental Monitors

A team of environmental monitors (biologists, archaeologists, native Americans, etc.) will be employed during the construction phase to monitor compliance with various permit conditions and adopted environmental plans. A separate procurement for these services is planned, with the environmental monitoring contract to be assigned to Jacobs. The draft request for proposals is under review now and a target date of January/February 2007 has been tentatively set for finalizing this resource procurement.

Related to this, there are sites along the Project corridor that are considered historic properties as defined by the National Historic Preservation Act. The environmental team initially recommended that all sites be avoided and this input did indeed influence the designer's final alignment selection. However, even after pipeline realignment, seven historic property sites remain along the corridor. Designers considered avoiding these sites by directional drilling around/under them but found that the site constraints drove costs up prohibitively. As an alternative, the environmental specialists and designers settled on a course of action whereby excavation at the seven historic properties would precede pipeline installation allowing sufficient time to perform historic "data recovery" without delaying pipe construction.

ESA solicited proposals from environmental consultants to perform this excavation and data recovery along with preparation of an Archaeological Research Design and Treatment Plan. Initial fee estimates for this set of services range from \$251,000 to \$391,700. We are considering other approaches to performing this advance environmental work, possibly using contractor equipment to pre-trench at these seven sites with environmental specialists on hand to field-document recovered archaeological artifacts, prepare the excavation report, and advise on material placement at the time that the pipeline is installed.

PROJECT ISSUES

Status of Financial Issues

Finance team members conferred via telephone on November 22, 2006, regarding the taxable portion of the bond issuance. Tax counsel at Fulbright & Jaworski expressed his opinion that Atascadero MWC's entire loan amount would be considered a "private loan" and therefore taxable by Internal Revenue Service regulations. Related to this, the Cost Allocation Model was updated per the 90% engineer's estimate and this current approach to the taxable issuance.

Project Insurance

Jacobs will make a presentation on alternative approaches to Project insurance, Agenda Item V.b.

Status of Project Delivery Team Activities

Right of way – Refer to Agenda Item VII.a.

Environmental Permitting – Earlier this month, ESA submitted the final Oak Tree Mitigation and Monitoring Plan for the Project, identifying avoidance and monitoring measures to be taken during construction as well as a post-construction monitoring plan. The Plan calls for a 3:1 replacement planting ratio for trees removed from oak woodlands and a 4:1 ratio for individual trees >6-inches diameter. Four areas were identified as suitable for replacement planting (Santa Margarita Lake Regional Park, Hielmann Regional Park, the Duveneck property in Templeton, and a parcel owned by the City of San Luis Obispo south of Cuesta Tunnel).

ESA also submitted a draft of the Addendum to the Nacimiento Water Project Environmental Impact Report which is under review by District staff now. They also responded to National Guard's comments on the NEPA document. The National Guard requests a "statement of benefit" from the Army before circulating the document and the Army is looking into just what that entails.

Design Activities – Black & Veatch along with Boyle Engineering Corp. and other design team members delivered the 90% design submittal during the first week of November. This consists of design drawings, technical specifications, up-front "Division 0" documents, construction schedule, and a revised opinion of probable construction costs. This progress submittal is on schedule and we are still on track to be bid-ready in the first quarter of 2007 (provided that permits, financing, and rights-of-way are also ready by that date). Black & Veatch will present the current cost estimate as part of Agenda Item V.a.

In line with Commission's direction in October 2006, Black & Veatch is assembling invitations for prequalification statements for the intake contractor and specialty drilling contractors. They are also updating the cost allocation model according to their 90% cost estimate.

Black & Veatch hosted a contractor outreach session on November 16, 2006. The session was aired in 12 locations throughout California and as far east as Kansas City. Turnout was a huge success with over 40 contractors and suppliers either attending or dialing in to the session, including six local (San Luis Obispo/Santa Barbara County) firms represented. The contractors and suppliers openly participated in such discussions as insurance considerations, bid timing, and other topics. Another session is planned in January 2007 with the idea of sustaining contractor interest and responding to their input regarding the bid phase.

Construction Management Activities – Jacobs hosted an "Interactive Planning Session" on our behalf on November 16, 2006, with the purpose of giving team members a more complete understanding of the issues associated with the work and a better idea of the relationships between the various issues that form the basis of the initial project guidance. Approximately 30 people participated representing our Participants, Project team members, Camp Roberts, PG&E, the Regional Water Quality Control Board, Conoco Phillips, and others. This, too, was



a success in terms of gaining a common understanding of the Project schedule and the interplay among key Project issues.

Outside Agency Issues

PG&E – PG&E did participate in the November 16, 2006, Interactive Planning Session. We still await written confirmation regarding the service planning approach, connection fees, and an assessment of the Savings by Design applicability.

SLO County IT Department – Staff is proceeding with preparation of an MOU per the terms approved by the Commission.

Monterey County Water Resources Agency – No recent meetings have occurred and staff is occupied with the preparation of the legal description and easement deed describing the various property rights sought near the dam.

Conoco Phillips – As the Nacimiento Pipeline approaches Cuesta Tunnel, we enter a corridor that is steep and narrow and encumbered by the railroad as well as inactive oil pipelines. Routing around this corridor is impractical and we expect to encounter contaminated soils resulting from past leaks in Conoco Phillips' abandoned oil lines. A meeting is scheduled for December 11, 2006, to discuss likely construction impacts, proper handling of contaminated soils, and Conoco Phillips' responsibility for costs incurred.

Spoils Disposal and Construction Water

Advance arrangements for construction water (for compaction, dust control, and hydrostatic testing) along with identification of areas to haul clean fill will help contractors provide realistic bids for these line items without excessive padding for such activities. Designers provided volume estimates to the TSG and specific information is now being gathered to include in the various construction bid packages.

2007 Meeting Calendar

Attached is our meeting calendar for 2007. Similar to 2006, note that the February 2007 Commission meeting is planned one week earlier than usual to accommodate a scheduled cycling event in San Luis Obispo County.

Nomination of Officers

Please be prepared to nominate and vote on Commission officers at the February 2007 Commission meeting. Elections for both the Chair and Vice Chair will be held.

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Nacimiento Project Commission 2007 Calendar of Activities

Revised December 6, 2006

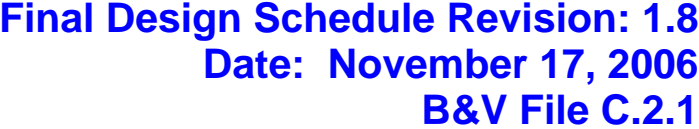
<p>JAN TSG – meet on Thursday, Jan 11, 2007 at 2:00 pm in Atascadero Commission – Dark</p>	<p>FEB TSG – meet on Thursday, Feb 1, 2007 at 2:00 pm in Paso Robles Commission – meet on Thursday, Feb 15, 2007 at 4:00 pm in Templeton</p>	<p>MAR TSG – meet on Thursday, Mar 8, 2007 at 2:00 pm in San Luis Obispo Commission – Dark</p>
<p>Reminder: Elect Chair and Vice Chair at First Commission Meeting</p>		
<p>APR TSG – meet on Thursday, Apr 12, 2007 at 2:00 pm in Atascadero Commission – meet on Thursday, Apr 26, 2007 at 4:00 pm in Templeton</p>	<p>MAY TSG – meet on Thursday, May 10, 2006 at 2:00 pm in Paso Robles Commission – Dark</p>	<p>JUN TSG – meet on Thursday, Jun 14, 2007 at 2:00 pm in San Luis Obispo Commission – meet on Thursday, Jun 28, 2007 at 4:00 pm in Templeton</p>
<p>JUL TSG – meet on Thursday, Jul 12, 2007 at 2:00 pm in Atascadero Commission – Dark</p>	<p>AUG TSG – meet on Thursday, Aug 9, 2007 at 2:00 pm in Paso Robles Commission – meet on Thursday, Aug 23, 2007 at 4:00 pm in Templeton</p>	<p>SEP TSG – meet on Thursday, Sep 13, 2007 at 2:00 pm in San Luis Obispo Commission – Dark</p>
<p>OCT TSG – meet on Thursday, Oct 11, 2007 at 2:00 pm in Atascadero Commission – meet on Thursday, Oct 25, 2007 at 4:00 pm in Templeton</p>	<p>NOV TSG – meet on Thursday, Nov 8, 2007 at 2:00 pm in Paso Robles TSG – meet on Thursday, Nov 29, 2007 at 2:00 pm in San Luis Obispo Commission – Dark</p>	<p>DEC Commission – meet on Thursday, Dec 13, 2007 at 4:00 pm in Templeton TSG - Dark</p>



Nacimiento Project Commission
December 14, 2006
Agenda Item IV.b – Project Schedule
(Information Only – No Action Required)

Attached is the Project schedule depicting progress toward final design. Black & Veatch delivered the 90% submittal on schedule and is progressing toward the March 2007 bid-ready date. Right-of-way acquisition and timely prequalification of specialty drilling contractors/intake contractors both are on the critical path at this point.





Nacimiento Project Commission
December 14, 2006
Agenda Item IV.c – Project Budget
(Information Only – No Action Required)

Attached is the Project Budget Reporting for the period ending November 30, 2006.

In October 2006 and throughout this past year, we have updated the Commission on the most current Project cost estimates. Today's presentation from Steve Foellmi of Black & Veatch on the 90% engineer's estimate (Agenda Item V.a) is an example of such an update. We expect costs to exceed the initial \$150 million Project estimate and have updated the Construction Phase Anticipated Cost estimate accordingly.

We discussed with the Commission and your Technical Support Group various ways to keep you informed as to the projected costs-to-complete the Project. Rather than revise the overall Project budget at this point, we agree that it would be best to get actual bids in hand and make a well-informed budget revision at that point. For now, the Project Manager proposes to report to you the latest projected costs-to-complete by revising the "Projected Total Cost" column as shown on the attached budget.

Simply put, the estimated Projected Total Cost for the Project as of this date is:

Design Phase Anticipated Costs	\$18.9 million
Construction Phase Anticipated Costs	
Construction Contracts	\$137.4
Other Construction Phase and Prior Costs	\$20.1
Contingency and Reserve	\$10.1
Subtotal =	\$167.6 million
Total Projected Cost =	\$186.5 million

Expect to see regular updates to the Projected Total Cost figures as the engineer's estimate evolves, as actual quotes come in for environmental monitoring and other construction phase services, and as bids come in. A formal request for a budget increase, if needed, would be made as part of the Opt-Out phase after bids are received.



Nacimiento Water Project
Project Budget Reporting
Report Ending Period: 11/30/06

	Initial Budget	Revised Budget as Approved August 2006	Cost to Date thru 11/30/06	Remaining Budget	Projected Total Cost as of 11/20/06	Projected Variance (Budget Vs. Cost)	Comments
Design Phase Anticipated Costs							
Project Management	\$1,250,000	\$1,875,000	1,459,603	\$415,397	\$2,033,000	(\$158,000)	Includes County Project Manager, VE, support staff, consultant support, and legal fees.
Environmental	\$800,000	\$899,667	838,078	\$61,589	\$949,667	(\$50,000)	ESA-Includes design assistance, permit applications, agency coordination.
PG&E Service Extension	\$1,100,000	\$1,100,000	5,170	\$1,094,830	\$300,000	\$800,000	11/06-Revised estimate to extend power to proposed facilities.
Right of Way Consulting Services	\$500,000	\$635,000	362,539	\$272,461	\$665,000	(\$30,000)	Hamner-Jewell contract plus allowance for appraisal and title reports by others.
Property Acquisition	\$2,000,000	\$2,500,000	25,732	\$2,474,268	\$2,500,000	\$0	8/06-Revised acquisition budget.
Construction Mgt/Constructability Review	\$2,000,000	\$2,000,000		\$2,000,000	\$735,000	\$1,265,000	Initial CM services authorization.
Engineering Design (Includes geotechnical & survey)	\$10,250,000	\$9,088,800	5,369,828	\$3,718,972	\$8,988,800	\$100,000	Black and Veatch Corporation 11/06-Revised projected total.
Finance	\$0	\$115,000	0	\$115,000	\$85,000	\$30,000	PFM, UBS, and Fulbright & Jaworski. 11/06-Revised projected total.
New Participant Contribution			(\$49,040)		(\$50,000)	\$50,000	11/06-CSA 10 buy-in.
					Total Variance=	\$2,007,000	
Design Phase Budget Reserve	\$1,000,000	\$686,533		\$686,533	\$2,693,533		
SUMMARY - DESIGN PHASE	\$18,900,000	\$18,900,000	8,011,910	\$10,839,051	\$18,900,000		
Construction Phase Anticipated Costs							
Project Management	\$2,325,000	\$2,712,500		\$2,712,500	\$2,712,500	\$0	2/05-extended +4 months.
							Estimated as \$100,000 per mile for pipeline realignments, special construction techniques, and other costs incurred due to unforeseen environmental issues.
Environmental Mitigation	\$3,700,000	\$3,720,000		\$3,720,000	\$4,500,000	(\$780,000)	
Materials Testing	\$300,000	\$300,000		\$300,000	\$300,000	\$0	
Construction Management	\$4,200,000	\$4,185,000		\$4,185,000	\$5,750,000	(\$1,565,000)	Based on Jacobs construction services fees.
Post-Designer Services by Designer	\$0	\$0		\$0	\$3,200,000	(\$3,200,000)	Black & Veatch's construction phase services.
Environmental Monitoring	\$1,800,000	\$1,800,000		\$1,800,000	\$1,800,000	\$0	Includes cost for cultural and biological monitors during construction.
Construction Contracts	\$93,000,000	\$93,000,000		\$93,000,000	\$137,688,505	(\$44,688,505)	B&V's 50% estimate with contingencies.
District Controlled Contingency							
Phase Contingency and Reserve	\$24,231,000	\$23,838,500		\$23,838,500	\$10,109,912	\$13,728,588	
SUMMARY - CONST. PHASE	\$129,556,000	\$129,556,000	0	\$129,556,000	\$166,060,917	(\$36,504,917)	
Prior Expenses							
Advance Expenditures	\$513,000	\$513,000		\$513,000	\$513,000	\$0	
Cuesta Tunnel	\$1,031,000	\$1,031,000		\$1,031,000	\$1,031,000	\$0	Includes construction of Nacimiento Water Project pipeline section through Cuesta Tunnel.
				\$0	\$0	\$0	
TOTAL PROJECT*	\$150,000,000	\$150,000,000	8,011,910	\$141,939,051	\$186,504,917	(\$34,497,917)	

* Rounded to \$100k

Memorandum's):
Positive Projected Variance indicates costs are under the revised line item budget.

Recent Update: 12/06/06

Nacimiento Project Commission
December 14, 2006
Agenda Item V.a – Total Project Cost Update – 90% Progress Point
(Presentation - No Action Required)

TO: Nacimiento Project Commission

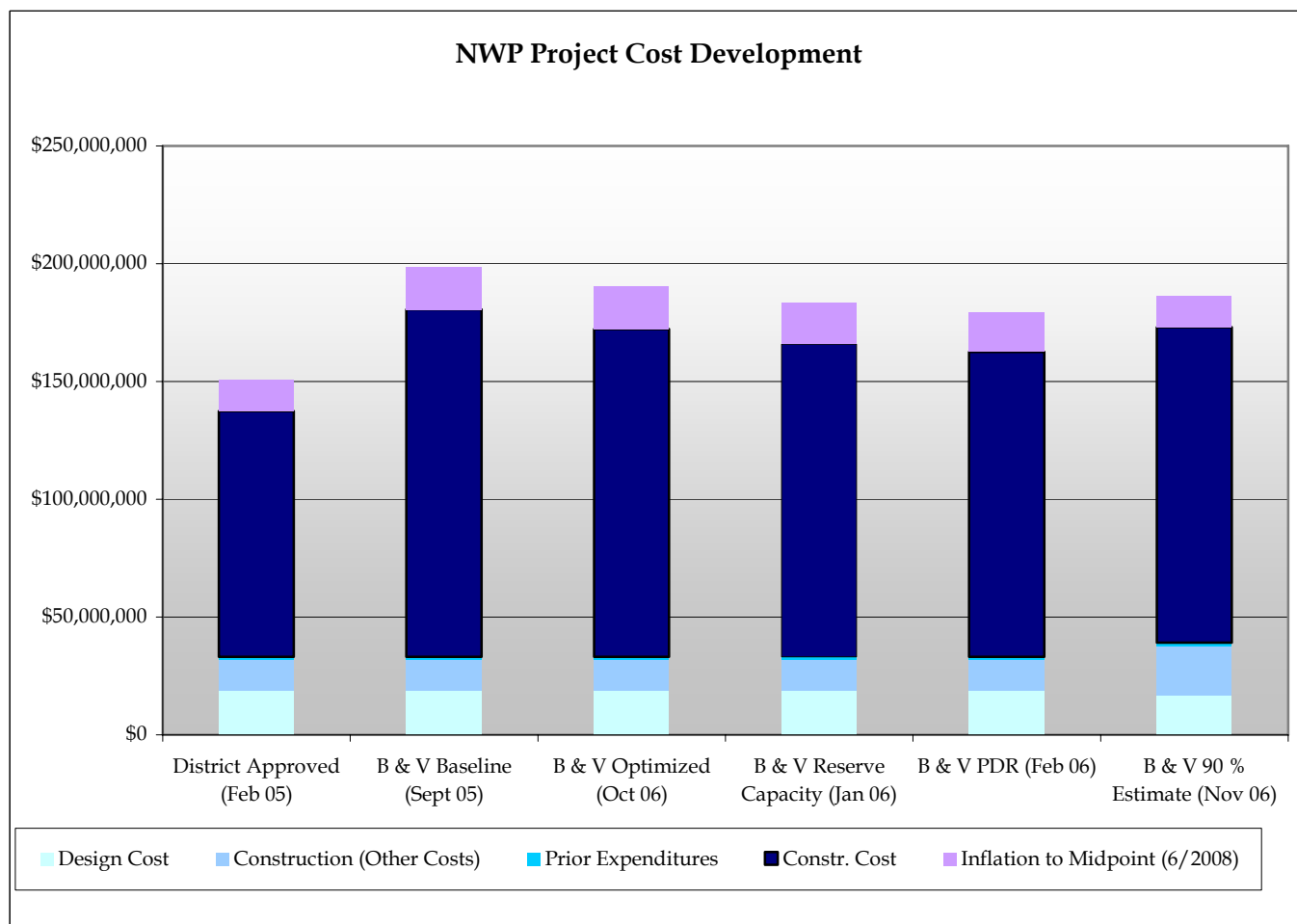
FROM: John R. Hollenbeck, PE, Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: December 14, 2006

In August 2004, Participants entered into Water Delivery Entitlement Contracts approving an overall project budget of \$150 million. The project budget was developed to be representative of the total anticipated expenditure to complete the project including (1) design costs, (2) construction-other costs, (3) prior expenditures, and (4) inflation costs to the mid-point of construction. The estimate was based primarily on preliminary engineering work prepared by Carollo Engineers in 2002.

The evaluation of the project construction cost follows. In September 2005, the Design Team established a baseline cost for the project of \$198 million (second bar on the figure). This baseline construction cost component was based on 2005 cost pricing, inflated to the midpoint of construction. Subsequently, it was determined that through (1) pipeline optimization analyses in October 2005 and (2) modifications to the design assumptions used for distribution of the Reserve Capacity, significant cost savings could be achieved. The resulting project costs were adjusted as illustrated in the following figure.



An updated project cost estimate was prepared based on the 90 percent design as tabulated below and as shown as the sixth bar on the figure above.

90 Percent Opinion of Probable Project Costs

Description	Total
Main Pipeline Construction Cost Opinion	\$111,800,000
Cost Estimating Contingency (10%+)	\$12,200,000
Total Present Construction Cost	\$124,000,000
Construction Cost Inflation to Mid-Point Construction	\$13,400,000
Total Construction Cost (June 2008)	\$137,400,000
District-Controlled Contingency	\$10,100,000
Other Project Costs	\$39,000,000 ¹
Total Project Cost as of 90% Design Progress	\$186,500,000

While many components of the overall project budget can be estimated with relative certainty, others are less certain and depend on many variables. Examples of this are property acquisition

¹ Other project costs includes design phase activities, construction management activities, environmental and permitting costs, easement acquisition, prior costs, and other project costs.

costs (currently estimated at \$2.5 million) and environmental mitigation (now estimated at \$4.5 million). Property acquisition costs will vary depending on factors such as the easement rights sought, the extent of temporary easement sought, land values, and the number of affected properties. The extent of environmental mitigation required will depend on conditions encountered during construction such as contaminated soil, nesting endangered species, and archaeological deposits. Because of this, total project costs will vary as we progress through construction.

As of the 90% design point, the total estimated project cost remains significantly over the desired District budget of \$150 million and financing plans are under analysis in anticipation of a total Project cost approaching \$186+ million. Anticipated costs by Participant are as follows:

Participant	Total Capital Cost²	Estimated Annual Cost³
Paso Robles – 4000 AFY	\$63.7M	\$5.3M to \$5.8M
Templeton CSD – 250 AFY	\$5.29M	\$425k to \$470k
Atascadero MWC – 2000 AFY	\$36.5M	\$3.5M to \$3.8M
City of San Luis Obispo – 3380 AFY	\$80.4M	\$6.4M to \$7.1M
CSA 10 Cayucos – 25 AFY	\$0.59M	\$47k to \$52k
Total =	\$186.5M	\$15.7M to \$17.2M

² Based on 90% Engineer's Opinion of Probable Cost.

³ Includes estimated annual debt cost (taxable for AMWC) plus O&M costs adjusted for tax credit from District's Nacimiento Fund.

Nacimiento Project Commission
December 14, 2006
Agenda Item V.b – Project Insurance Options
(Presentation - No Action Required)

TO: Nacimiento Project Commission

FROM: Gary Brasser, Jacobs

VIA: John Hollenbeck, Nacimiento Project Manager

DATE: December 14, 2006

As the construction phase of the Project nears, decisions pertaining to construction contracting and team assembly must be made. Examples of such decisions are bid packaging (how many construction contracts), terms of the construction contracts, provisions for construction yards, etc. Another such decision to make pertains to insurance during the construction phase.

Traditionally, the Flood Control District requires each construction contractor to provide, worker's compensation, general liability, excess liability, builder's risk, auto, and other insurance. The cost of insurance included in the construction contractors bid is as much as 10% of the total construction costs. For the Project, that's on the order of \$10,000,000. When a claim is made, the various parties' insurance representatives participate in investigating and settling the claim. The result is that the cost of providing the required insurance is reflected in professional fees and bid amounts and the claims investigation and settlement process involves many parties. This can become complex and time-consuming.

An alternative to this approach is for the Project to provide the major insurance coverage under one comprehensive agreement. Such a project policy is known as an "OCIP", or "Wrap-Up Program". OCIP stands for Owner Controlled Insurance Programs. An OCIP merges the insurance coverage into one comprehensive insurance package, rather than each party (construction contractors, every tier of subcontractor) acquiring their own insurance.

Advantages of an OCIP include:

1. Assures protection of asset
2. Higher insurance limits
3. Broader seamless insurance coverage
4. Increases participation and competition by small firms
5. Enhances construction and public safety
6. Improves public relations
7. Provides cost savings (Nacimiento Water Project potential up to \$3,000,000)

Other advantages of an OCIP include having one insurance carrier and one legal firm handling any lawsuits, providing everyone involved in the construction project with a stronger case. All

documentation, paperwork, etc. is held by a single company which can be less chaotic. With only one carrier, subrogation between numerous insurance companies is eliminated.

Additionally, the Owner knows what coverage all key players have within the construction project and can choose to have only specific coverage (i.e. worker's compensation, builder's risk, etc.) or full coverage. The coverage lasts through entire life of project and is available through a completed operations period. Under an OCIP approach, the Owner has control over decision-making and creates consistency in claim settlement. In general, this approach lowers insurance costs to the Project, and fault disputes are settled in less time.

Perceived or real disadvantages to an OCIP include:

1. Contractor loss of profit on insurance
2. Contractor and Broker resistance
3. Contractor conformance with strict worker and public safety requirements
4. Insurance credit recovery
5. Insurance program administration

Discussions with your Technical Support Group indicate an interest in an OCIP for the Project, however Participants have limited experience with such programs. At this point, it appears like an attractive option for a project of this scale and may indicate to the construction community that the District is a savvy agency, putting in place a program to equitably share the risks involved in the construction of the Nacimiento Project.

The Project Manager is discussing the concept with District legal counsel and risk management staff to get their point of view now, and plans to host an informational workshop on December 12, 2006, with an OCIP expert to further research applicability for this Project. Jacobs will report on the outcome of that meeting and discuss what further information may be needed to make a decision regarding the approach to Project insurance. On December 27, 2006, County Risk Management personnel will also host a meeting with a law firm specializing in public agency insurance coverage. Their input, too, will be taken into account.



Nacimiento Project Commission
December 14, 2006
Agenda Item VII.a – Hearing of Necessity
(Commission Action Item – Subsequent Board of Supervisor Action Required)

TO: Nacimiento Project Commission

FROM: John R. Hollenbeck, P.E., Nacimiento Project Manager

VIA: Noel King, Director, Department of Public Works

DATE: December 14, 2006

Recommendation

If it is not possible to enter into voluntary acquisition agreements with private property owners, the Commission should recommend that the Board of Supervisors, acting on behalf of the Flood Control and Water Conservation District, conduct a Hearing of Necessity regarding the acquisition of easements affecting private properties and other properties outside of the public right-of-way, such that easement agreements and orders of possession may be in place prior to award of the construction contracts.

Discussion

Most of the proposed Nacimiento facilities lie within public right-of-way, allowing the construction to proceed with proper consideration for traffic control and other encroachment permit conditions. However, the upper reaches of the pipeline will be constructed on properties owned by the Monterey County Water Resource Agency and Camp Roberts. South of there, the pipe and appurtenances impact approximately 47 private properties as well as other properties owned by the State of California, our Participants, the federal government, etc. Easements must be acquired in areas that lie outside of the public right-of-way.

The process that is followed generally begins with initial conversations with property owners and design refinements to accommodate their input. Once designers confirm the pipe and facility locations, surveyors prepare legal descriptions of the easements sought. This is accompanied by an “easement deed” describing the specific rights that the District seeks for construction and operation of project components on each property. Certified appraisers estimate the value of the rights sought through a site appraisal, during which property owners are invited to participate, followed by presentation of formal offers.

The status of the acquisition effort as of November 30, 2006, is presented in the following table.

Number of Identified Parcels	Completed Legal Descriptions	Appraisals Ordered	Appraisals Complete	Offers Extended	Agreements Signed
54 (47 private + other)	36	32	23	16	2

The entire process spans months, even when owners are in general agreement with the easement acquisition. Sometimes, property owners fail to accept the offers of just compensation. When easement negotiations fail to progress, a public agency may seek court-ordered possession so that construction may proceed while negotiations are finalized. Known as the “condemnation process”, this entails conducting a Hearing of Necessity at which the public agency considers the adoption of a resolution expressing the public need for the easements sought and authorizing the commencement of eminent domain proceedings, including obtaining orders for possession.

While it is too early to tell if condemnation proceedings will be needed, it is good planning to anticipate a possible need for a Hearing of Necessity, to alert all property owners as required by law, and to initiate the timeline for this legal avenue of obtaining rights of possession. Otherwise, construction may be delayed for three months or more if we hit an impasse, then begin the legal process. Note that lost time on the Nacimiento Project is estimated to cost the public \$4-500,000 for each month of delay because of price escalation and other carrying costs.

Staff seeks Commission’s support to conduct, if necessary and only in the event it is not possible to enter into acquisition agreements with property owners, a Hearing of Necessity regarding easement needs affecting private properties and other properties outside of the public right-of-way such that easement agreements and orders of possession may be in place prior to award of the construction contracts.

Other Agency Involvement

The District seeks easements from Monterey County Water Resource Agency, the Central Coast Water Authority, the City of el Paso de Robles, Atascadero Mutual Water Company, the City of San Luis Obispo, and from Templeton CSD. The Participants have agreed in concept to granting no-cost easements however such arrangements have yet to be finalized. Some properties held by the State of California and the federal government are also affected but not subject to the same condemnation process.

Financial Considerations

The Hearing of Necessity has little direct cost impact, rather a delay in property acquisition that delays Project construction is estimated to cost the public between \$400,000 and \$500,000 each month.

Results

Conducting a Hearing of Necessity is an orderly step in the easement acquisition and ultimate start-up of the Nacimiento Water Project.